

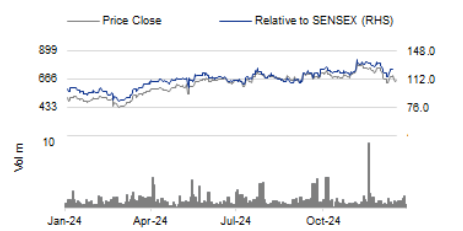
India

ADD (no change)

Consensus ratings*: Buy 17 Hold 3 Sell 2	
Current price:	Rs654
Target price: ▲	Rs900
Previous target:	Rs800
Up/downside:	37.6%
InCred Research / Consensus:	9.8%
Reuters:	
Bloomberg:	NAM IN
Market cap:	US\$5,709m
	Rs414,591m
Average daily turnover:	US\$10.9m
	Rs793.8m
Current shares o/s:	631.8m
Free float:	27.3%
*Source: Bloomberg	

Key changes in this note

- ▶ With a dip in other income amid volatile capital market movement, we expect rationalization of distribution commission to aid the company's profitability.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(12.3)	(5.2)	34.5
Relative (%)	(10.0)	(0.8)	24.9

Major shareholders	% held
Nippon Life Insurance	72.7
LIC	5.4
HDFC	1.7

Research Analyst(s)



Jignesh SHIAL
T (91) 22 4161 1547
E jignesh.shial@incredresearch.com

Meghna LUTHRA
T (91) 22 4161 1553
E meghna.luthra@incredresearch.com

Rishabh JOGANI
T (91) 22 4161 1569
E rishabh.jogani@incredresearch.com

Nippon Life India Asset Management Ltd

Strong market share; stable outlook

- NAM India posted in-line 3Q core operating profit, although it missed PAT due to lower other income. Cut in distribution commission to aid yields in near term.
- Equity funds' market share witnessed a sequential improvement of ~3bp to ~6.99% whereas the overall AUM market share rose by ~1bp qoq to ~8.31%.
- We expect stable revenue yields, but a spurt in operating expenses is likely amid elevated ESOP expenses. Maintain ADD rating with a TP of Rs900.

Lower other income amid volatile markets dents 3QFY25 PAT

Nippon Life India Asset Management (NAM India) reported broadly in-line 3Q numbers barring the lower-than-expected fall in other income which dented PAT to Rs3bn, down by ~18% qoq. The company has relatively higher exposure to equity schemes due to a skin-in-the-game for alternate investment funds or AIFs. However, core operating profit remains strong.

Firmly grounded for sustainable performance-led market share gains

The AMC has been at the forefront of gaining market share and expanding the overall market share by ~1bp qoq to 8.31%, within which the equity funds' share expanded by ~3bp qoq to 6.99%. Management reiterated its focus on performance-led scheme flows without resorting to large new fund offers or NFOs. The company launched its first gift fund, Nippon India Large Cap Fund GIFT at GIFT City as a feeder to ease its reach to the existing large-cap fund, which has consistently been among the top-performing funds. The systematic investment plan or SIP AUM increased by ~48% yoy to Rs1.4tr led by the growth in folios by ~56% yoy to ~10.7m. Total annualized SIP book stands at Rs404bn. We remain confident of the company's ability to improve its market share further, considering its focused client approach and the improving performance of its schemes.

Rationalization of distribution commissions to cushion profitability

During Jan 2025, the company rationalized distribution commission on large-cap and multi-cap schemes with a combined AUM of Rs760bn, or ~23% of the equity AUM. This is the second cut for the fiscal year, after a previous one in small-cap schemes, accounting for another ~22-27% of equity funds' AUM. We believe this will provide a reasonable cushion for the topline's movement in case of inflow volatility.

Outlook and valuation

We continue to remain confident of market share momentum for the AMC, with strong dominance in the ETF business. We are building in stable revenue yields but expect some spurt in operating expenses in FY25F amid elevated ESOP allocation. We maintain our ADD rating on the stock with an unchanged target price of Rs900, corresponding to ~28x FY26F EPS. Downside risks: Weak inflow & underperformance of schemes.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income (Rsm)	0	0	0	0	0
Total Non-Interest Income (Rsm)	15,166	20,373	27,328	37,218	46,192
Operating Revenue (Rsm)	15,166	20,373	27,328	37,218	46,192
Total Provision Charges (Rsm)	0	0	0	0	0
Net Profit (Rsm)	7,233	11,073	14,561	20,028	24,810
Core EPS (Rs)	11.61	17.58	23.11	31.79	39.38
Core EPS Growth	(3%)	51%	31%	38%	24%
FD Core P/E (x)	56.36	37.22	28.31	20.58	16.61
DPS (Rs)	0.00	0.00	0.00	0.00	0.00
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
BVPS (Rs)	56.4	63.2	64.4	66.0	67.9
P/BV (x)	11.60	10.35	10.16	9.92	9.63
ROE	20.7%	29.5%	36.2%	48.8%	58.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs m	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	YoY (%)	QoQ (%)
Total revenue from operations	3,542	3,975	4,233	4,683	5,050	5,713	5,879	38.9%	2.9%
Other income	1,169	779	1,071	923	1,308	1,208	154	-85.6%	-87.2%
Total revenue (Rs m)	4,710	4,754	5,304	5,606	6,358	6,921	6,033	13.7%	-12.8%
Total expenditure	1,611	1,650	1,723	1,865	1,970	2,060	2,116	22.8%	2.7%
<i>Cost-to-income (%)</i>	<i>34.2%</i>	<i>34.7%</i>	<i>32.5%</i>	<i>33.3%</i>	<i>31.0%</i>	<i>29.8%</i>	<i>35.1%</i>		
Profit before tax	3,099	3,104	3,581	3,741	4,387	4,861	3,917	9.4%	-19.4%
Tax	746	661	741	315	1,066	1,261	965	30.2%	-23.5%
<i>Tax rate (%)</i>	<i>24.1%</i>	<i>21.3%</i>	<i>20.7%</i>	<i>8.4%</i>	<i>24.3%</i>	<i>25.9%</i>	<i>24.6%</i>		
Profit after tax	2,354	2,443	2,840	3,426	3,322	3,600	2,953	4.0%	-18.0%
QAAUM (Rs tr)	3.14	3.51	3.78	4.31	4.84	5.49	5.70	50.9%	3.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

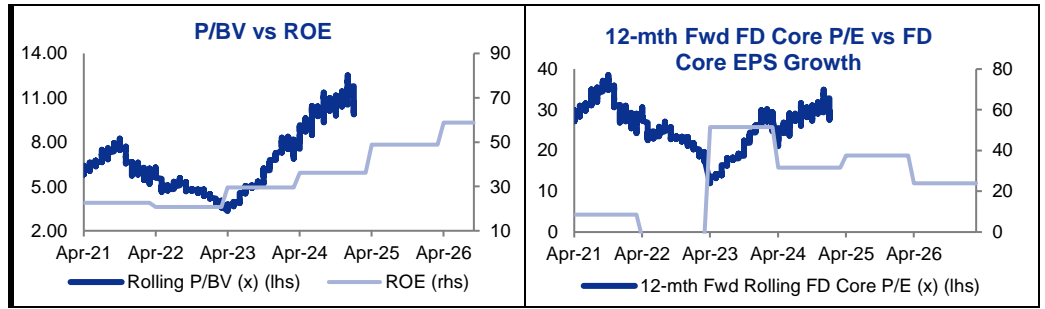
Y/E Mar (Rs m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% change	Earlier	Revised	% change	Earlier	Revised	% change
Revenue from operations	23,376	23,781	1.7%	32,044	33,032	3.1%	41,492	41,253	-0.6%
Total other Income	4,927	3,547	-28.0%	5,813	4,186	-28.0%	6,685	4,939	-26.1%
PAT	15,037	14,551	-3.2%	20,382	20,018	-1.8%	25,760	24,800	-3.7%
EPS (Rs)	23.9	23.1	-3.2%	32.4	31.8	-1.8%	40.9	39.4	-3.7%
Dividend payout (%)	95	95	0.0%	95	95	0.0%	95	95	0.0%
QAAUM (Rs tr)	6.3	6.3	-1.3%	8.4	8.3	-1.6%	10.7	10.5	-1.8%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

3QFY25 earnings-call highlights ►

- The impact of commission rationalization will be partial in 4QFY25F as the cut in distribution commission is applicable at the end of Jan 2025.
- The ~6.3% qoq and 26% yoy rise in other income relates to higher technology-related spending and higher AIF business-related expenses.
- Management gave its guidance on overall expenses, excluding ESOP, of 15-17% yoy.
- Yields in the equity fund segment stood at ~57bp, debt fund segment at 25bp, exchange traded fund or ETF segment at ~15bp and liquid fund segment at ~10-12bp.
- The company remained focused on granular B-30 markets, where it expanded ~10bp market share qoq to 9.2% on a MAAUM basis.
- Flows from these markets are more stable and stickier, compared to high networth individuals or HNI flows, which are relatively more volatile.
- The share of B-30 markets' AUM was ~20.4% vs. industry share of ~18.5%.
- The company had 18 schemes under the AIF category, with a total commitment of Rs69.8bn raised till date.
- The company is in the process of raising funds for three more AIF schemes.
- The SIP market share went up to ~10% from ~5% two years ago.
- SIP accounts continuing for >5 years stood at ~56% vs. industry average of ~29%, showing stickiness in the SIP book.

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Interest Income					
Total Non-Interest Income	15,166	20,373	27,328	37,218	46,192
Operating Revenue	15,166	20,373	27,328	37,218	46,192
Total Non-Interest Expenses	(5,889)	(6,849)	(7,927)	(10,527)	(13,126)
Pre-provision Operating Profit	9,277	13,525	19,401	26,691	33,066
Total Provision Charges					
Operating Profit After Provisions	9,277	13,525	19,401	26,691	33,066
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	9,277	13,525	19,401	26,691	33,066
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	9,277	13,525	19,401	26,691	33,066
Exceptional Items					
Pre-tax Profit	9,277	13,525	19,401	26,691	33,066
Taxation	(2,048)	(2,462)	(4,850)	(6,673)	(8,267)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	7,229	11,063	14,551	20,018	24,800
Minority Interests	4	11	10	10	10
Prof. & Special Div					
FX And Other Adj.					
Net Profit	7,233	11,073	14,561	20,028	24,810
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits					
Avg Liquid Assets/Avg Assets	85.9%	86.0%	91.5%	98.2%	99.6%
Avg Liquid Assets/Avg IEAs	110.2%	108.3%	107.4%	106.9%	106.5%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans					
Provision Charge/Avg Assets					
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Gross Loans					
Liquid Assets & Invst. (Current)	30,231	35,127	40,045	44,850	49,335
Other Int. Earning Assets					
Total Gross Int. Earning Assets	30,231	35,127	40,045	44,850	49,335
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	30,231	35,127	40,045	44,850	49,335
Intangible Assets					
Other Non-Interest Earning Assets	2,397	2,351	(2,020)	(3,993)	(4,056)
Total Non-Interest Earning Assets	5,650	5,918	1,623	14	352
Cash And Marketable Securities	2,727	2,706	2,841	2,983	3,132
Long-term Investments					
Total Assets	38,609	43,750	44,508	47,847	52,819
Customer Interest-Bearing Liabilities					
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities					
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	3,453	3,859	3,847	6,118	9,743
Total Liabilities	3,453	3,859	3,847	6,118	9,743
Shareholders Equity	35,156	39,822	40,549	41,550	42,790
Minority Interests					
Total Equity	35,156	39,822	40,549	41,550	42,790

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Income Growth					
Operating Profit Growth	(6.2%)	45.8%	43.4%	37.6%	23.9%
Pretax Profit Growth	(6%)	46%	43%	38%	24%
Net Interest To Total Income					
Cost Of Funds					
Return On Interest Earning Assets					
Net Interest Spread					
Net Interest Margin (Avg Deposits)					
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit					
Interest Return On Average Assets					
Effective Tax Rate	22.1%	18.2%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Return On Average Assets	18.89%	26.89%	33.00%	43.37%	49.29%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

InCred Research Services Private Limited

Research Analyst SEBI Registration Number: INH000011024

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05th floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

CIN: U74999MH2016PTC287535

Recommendation Framework**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.